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UNITED STATES DEPARTMENT OF AGRICULTURE

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H. C. TAYLOR, Chief

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A SYSTEM OF ACCOUNTING FOR COTTON GINNERIES.[1]

By

A. V. SWARTHOUT, *Investigator in Market Business Practice*,
and
J. A. BEXELL, *Formerly Assistant in Market Business Practice*, now *Dean, School of Commerce, Oregon Agricultural College, Corvallis, Oreg.*

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WHO CAN USE THE SYSTEM.

The system of accounting described in this bulletin will meet the needs of cotton ginneries generally as they are operated in the cotton belt of the United States. However, especial attention has been given to the needs of custom ginneries, and no effort has been made to consider the problems of ginneries on private plantations. Since the latter do comparatively little work for the general public, they were not included in the investigation, although there is little question that they would find this system of accounting helpful.

With no previous knowledge of bookkeeping whatever, practically anyone can keep the records and accounts described in this bulletin.

[1] The authors desire to make acknowledgment to Dr. Lewis H. Haney for helpful suggestions and for reading and criticism of the manuscript of this bulletin.

To do this, one must carefully read the bulletin before starting any actual work. That portion beginning on page 14, under the heading "How the system works," and the sample entries on the forms at the back, will be especially helpful. In the day-to-day work of keeping the records, the Appendix and the sample entries will answer practically every question which will ever occur to the user, and the Bureau of Markets is at all times ready and willing to answer questions.

There is no short cut to adequate information relating to the operation of any business. The only way is to install a good set of records, open the proper ledger accounts, and keep them correctly. Then the results must be studied. The information in this bulletin will enable a business man of average intelligence to do these things.

RESULTS OF USING THE SYSTEM.

A large number of business men look upon their bookkeeping as a sort of necessary evil, from which they can get no return. The information which a properly kept set of records and accounts can furnish, however, is the guidepost along the highway to business success. If one would succeed in his business probably no other tool will help more than a system of bookkeeping which will give the results herein described.

The final test of the adequacy of any system of accounting lies in the question whether or not it will furnish the information necessary for the intelligent conduct of the business. This information should consist of a statement of the financial standing (Balance sheet, see page 4), a statement showing the loss or gain as a whole (Income and expense statement, see page 6), prepared in such detail that the relation of the various items of income and expense may be readily seen, and any other information that may be of assistance to the management. It should also make it possible to prepare income tax reports with comparatively little work.

An illustration of each of the reports essential to a ginnery follows, with a few comments concerning each report.

To obtain the very best benefits possible from an adequate accounting system, nothing can take the place of an independent audit by a reputable firm of public accountants. Some of the advantages to be derived from such an audit may be summarized as follows:

(1) An impartial and disinterested opinion of the general policy and administration of the business is obtained.

(2) The financial records are carefully examined, and reports presented in the best possible form.

(3) Opinion is rendered as to whether the methods in use could be improved and whether or not adequate reserves are being accumulated to care for depreciation, bad accounts, etc.

The cost of such an audit may seem prohibitive to some of the smaller organizations. However, this expense may be somewhat reduced by the formation of a cooperative auditing association, such as is now in existence in some sections of the country. It is strongly recommended that an audit of the kind referred to above should be made at the close of the fiscal year.

Part I.—REPORTS THE MANAGER NEEDS.

BALANCE SHEET.

The investigations made by the Bureau of Markets have disclosed the fact that many cotton ginneries have never made either an income and expense statement or a balance sheet. A model of each of these forms is therefore shown. The arrangement of balance sheet shown herein conforms to that suggested by the Federal Reserve Board and is recommended as a simple yet comprehensive exhibit of the financial position of the company. The management should very carefully study the statement of one year as compared with another, noting particularly the increases and decreases in such important items as Notes and accounts receivable, Inventories, Depreciation reserves, Notes and accounts payable, Surplus, and Total net worth; also, the relation of Total current assets to Total current liabilities, which should be approximately 2 to 1, if the organization is in sound financial condition.

THE BLANK GINNING COMPANY.

COMPARATIVE BALANCE SHEET AS AT ....., 19.....

Account number.	ASSETS.	Current year.	Last year.
	Current assets:		
	Cash—		
A1	On hand	...	...
A2	In bank	...	...
A3	Notes receivable	...	...
A4	Accounts receivable	...	...
H5	Less reserve for doubtful accounts	...	...
A5	Inventories:		
	Seed cotton	...	...
	Ginned cotton	...	...
	Cottonseed	...	...
	Bagging and ties	...	...
	Operating supplies on hand.		
	TOTAL CURRENT ASSETS	...	...
	Fixed assets:		
B1	Land	...	...
B2	Buildings	...	...
H1	Less reserve for depreciation	...	...
B3	Machinery and equipment	...	...
H2	Less reserve for depreciation	...	...
B4	Office furniture and equipment	...	...
H3	Less reserve for depreciation	...	...
	TOTAL FIXED ASSETS	...	...
	Other assets:		
C1	Prepaid insurance	...	...
	TOTAL ASSETS	...	...

Account number.	LIABILITIES AND NET WORTH.	Current year.	Last year.
	Current liabilities:		
F1	Notes payable	...	...
F2	Accounts payable	...	...
F3	Dividends payable	...	...
	Accrued liabilities:		
G1	Pay-roll account	...	...
G2 and 3	Accrued rent and taxes	...	...
	TOTAL CURRENT LIABILITIES	...	...
	Net worth:		
I-1	Capital stock (issued)	...	...
I-2	Surplus	...	...
I-3	Loss and gain (net profit current period)	...	...
	Less dividends declared	...	...
	TOTAL NET WORTH	...	...
	TOTAL LIABILITIES AND NET WORTH	...	...

NOTE.—Short dashes (. ..) are used to indicate the places where the figures are to be inserted.

INCOME AND EXPENSE STATEMENT.

The income and expense statement is an itemized statement of the entries made in the loss and gain account, arranged in such a way as to set forth clearly the financial results of the operations of the periods involved. The items should be obtained from this account, and the final balances must agree.

The following form of income and expense statement will be found convenient for exhibiting the operations of the ginnery for either a monthly or a yearly period. Wherever possible a monthly statement of income and expense is advised.

In the past no standard form of income and expense statement has been used; therefore this form should fill a very definite need. By its use, not only the stockholders and directors may follow the details of the business, but a ready comparison may be made between the costs of operation of various periods.

In preparing this statement the amounts shown as sales and purchases should be net figures. That is, merchandise returned by the buyer should be deducted from the total sales, and merchandise returned by the company to the concern from whom it is purchased should be deducted from the total purchases.

In preparing the trading section of the income and expense statement it will be found that a space is provided for showing the inventory at the beginning of the period separately from the purchases. If the entries have been made in the purchase accounts in the order provided, the amount of the inventory (where one existed at the close of the previous period) should be the first item in the various purchase accounts. By deducting this amount from the balance on the purchase account, the purchases for the period may be found.

Special attention is called to the item "Less cost of ginning purchased seed cotton." The method of ascertaining this amount is explained on page 35.

Special care should be used to see that this item is correctly ascertained, for in no other way can correct results be obtained. The items also appear on the "Comparative cost and income analysis," page 7.

The result of this statement, "Net profit for year," must agree with the balance of the loss and gain account.

BLANK GINNING COMPANY.

INCOME AND EXPENSE STATEMENT FOR ....., 19.....

Account number.		Current year.	Last year.
	OPERATING.		
	Ginning income:		
K1	Custom ginning income		
	Ginning expense:		
	Operating—		
N1	Salaries and labor expense		
N2	Power expense		
N3	Repairs		
N4	Depreciation		
N5	Operating supplies expense		
N6	Insurance		
	Administrative—		
O1	Office supplies		
O2	Telegraph, telephone, and postage		
O3	Rent		
O4	Taxes		
O5	Losses from bad accounts		
O6	Miscellaneous expense		
	Total ginning expenses		
P1a	Less—cost of ginning purchased seed cotton		
	Cost of custom ginning		
	Custom ginning net profit		
	TRADING.		
L3	Bagging and ties sales (net)		
A5	Inventory beginning of year		
P4	Purchases (net)		
A5	Less—inventory—end of year		
	Cost of sales (bagging and ties)		
	Gross profit on bagging and ties		
L1	Cottonseed sales (net)		
L2	Cotton sales (net)		
	Total		
A5	Inventories—beginning of year—		
	Seed-cotton		
	Cottonseed		
	Cotton		
	Purchases (net)—		
P1	Seed-cotton		
P2	Cottonseed		
P3	Cotton		
A5	Less—inventories—end of year		
	Seed-cotton — —		
	Cottonseed — —		
	Cotton		
	Material cost		
P1a	Cost of ginning purchased seed cotton		
	Cost of sales (cotton and cottonseed)		
	Gross profit on cotton trading		
	Miscellaneous income:		
M1	Cash discounts on purchases		
	Sundry income		
	Net profit for year		

NOTE.—Short dashes are used to indicate the places where figures are to be inserted.

SUMMARY OF OPERATIONS.

A form for presenting a summary of the ginning operations is shown below. It is arranged to present in form convenient for use the information relative to the quantity of cotton and cotton seed handled. The information is obtained from the ginning register.

SUMMARY OF OPERATIONS.

Bale record:
- Number of bales ginned ....
- Total weight of lint ....

Seed cotton handled:
- Net weight bought ..... lbs. .....
- Net weight sold ..... lbs. .....

Disposition of seed:
- Taken by owner ..... lbs. .....
- Bought ..... lbs. .....
- Value ..... $.....

THE COST AND INCOME ANALYSIS.

The form for the cost and income analysis is arranged to show in summary the cost and income per bale of the ginning operations. Columns are provided for exhibiting the cost information of two years in such a way that they can easily be compared. This affords an excellent check on the efficiency of the business.

The information for this report is obtained from the income and expense statement, and the per bale figure is obtained by dividing by the number of bales ginned, except in the case of the item "Less cost of ginning purchased seed cotton," where the number of bales of such cotton is used.

Comparative cost and income analysis.

Total number of bales ginned — Bales purchased seed cotton ginned — Custom bales ginned —	Current year 192—		Last year 192—	
	Amount.	Per bale.	Amount.	Per bale.
Total ginning income				
Ginning Expense-operating				
Ginning Expense-administrative				
Ginning Expense-total				
Less cost of ginning purchased seed cotton				
Cost of custom ginning				
CUSTOM GINNING NET PROFIT				
Bagging and ties sold				
Bagging and ties cost of sales				
BAGGING AND TIES GROSS PROFIT				
Cotton trading (gross profit)				
Miscellaneous income				
TOTAL NET PROFIT AS PER INCOME AND EXPENSE STATEMENT				

NOTE.—Short dashes (- —) are used to indicate the places where the figures are to be inserted.

Part II.—THE RECORDS.

WHAT FORMS TO USE.

Many business men and bookkeepers have not had the broad and varied experience which will enable them to devise a complete and related set of forms for the particular business with which they are connected.

For this reason such a set is shown and described herein. This set is the result of wide observation and discussion with experienced ginnery accountants and managers. While it is true that no set of forms can be made which will exactly fit all the details of every organization, it is believed that these forms will be found satisfactory for use in the vast majority of cotton ginneries in the cotton belt of the United States.

Some of the forms shown are not absolutely essential to successful accounting, but are provided that a complete system may be available for use. Also, in some cases, alternate forms are shown. These variations are discussed in the paragraph describing the particular form.

For the convenience of those interested in the system described in this bulletin, and for those who desire to install the system, the Bureau of Markets has provided printer's copy of the several forms for free distribution. A list of firms by whom the forms are published and carried in stock will be supplied on request. All ginneries installing this system of accounts may refer to this Bureau any question regarding its installation or operation.

DESCRIPTION AND USE OF THE FORMS.[1]

The following forms comprise the system of accounting for cotton ginneries:[2]

Form 2. The ginning ticket and register.
Form 3. The ginning ledger
Form 5. The cash journal.

In addition to the above, the following forms are described and illustrated, as they will be of material assistance in keeping accurate records of all items of importance:

Form 1. The bale tag.
Form 4. The cash receipt.

THE BALE TAG—FORM 1.[3]

The bale tag is fully described in United States Department of Agriculture Bulletin No. 520, "A System of Accounts for Cotton Warehouses," as follows:

Various methods are in use in cotton warehouses for the identification of the bales, but by far the most successful, and the one most generally used, is that of the numbered tag, supplemented by a record of the owner's private mark. Form 1 shows a

[1] Further discussion of the operation of the forms will be found on p. 14.
[2] Sample copies of these forms will be furnished to ginners on request.
[3] See page 42.

form of tag that is recommended. In every instance the tag should be made of reasonably heavy waterproof paper or of linen. Double eyelets with an extra reinforcement strip are desirable, and a double flexible wire, preferably of copper, for attaching the tag will give the best results. The tags should be numbered consecutively and used in numerical sequence throughout the season.

The selection of the tag to be used should be made with great care, as it is to become the principal means of identification of the cotton when the bale is in the warehouse. A tag of poor quality, improperly fastened to the bale with a single small steel wire, is often twisted off by the action of the wind and much trouble is caused by such a loss.

To guard against just such confusion as the loss of a bale tag will cause, it is often the practice to stencil or print on the bale itself some marks of identification. It is felt that in most cases this would prove fully as satisfactory as the use of a bale tag. It is recommended, however, that the number which is placed on the bale be the same as the number of the ginning ticket issued for it. This will make it easy to trace ownership through the records, and make it necessary to use only one set of identifying marks.

THE GINNING TICKET AND REGISTER—FORM 2.[1]

The ginning ticket, Form 2, is the foundation of all the subsequent records of operations. On it is recorded the bale number, the mark of the bale, owner, driver, to whom delivered, the weight, charges, and other facts relating to the ginning operations. Each ticket is the record of one bale of cotton, and since the tickets are numbered consecutively, the last number used indicates the number of bales ginned. Care must be taken to make the number of the bale tag (Form 1) (or the stencil number if stenciling is practiced) correspond with the number of the ginning ticket. On the right side of the ginning ticket are found columns for the classification of the facts found on the left-hand side. Ample space is also provided for calculations. It is an excellent practice to preserve the computations on the ticket for future reference.

This form is put up, five tickets to the page, in duplicate or triplicate, depending on whether or not the State law requires a copy for the landlord, in which case one copy is given to the grower, one to the landlord, and one is retained in the office.

In some ginneries it will be found desirable to use a tablet of ginning tickets (Form 2*a*[2]), and a separate register (Form 2*b*[3]). It should be understood, however, that Form 2 should not be used when Forms 2*a* and 2*b* are used, as these two forms are used in place of Form 2. The same information is found on the two forms as described under Form 2, the only advantage being that the ticket is a little longer and the register contains a larger number of entries on the page. The tickets should be put up in duplicate or triplicate, one ticket to the page, depending on whether or not the State law requires a copy for the landlord.

[1] See page 40. [2] See page 41. [3] See page 10.

Bureau of Markets and Crop Estimates
Ginnery System
Form 2b

GINNING REGISTER

DATE 1920	Ginning Ticket No	OWNER OF COTTON	OWNER OF FARM	L/F	BALE RECORD				SEED COTTON WEIGHT			GINNING CHARGES				DISPOSITION OF SEED				BALANCE DUE	
					No.	Weight	Mark	Del.	Gross	Tare	Net	B. & T.	Ginning	Total	Cash Received	Tar'n	Bo't	Price	Amt	Ginner	Owner
			Brought forward																		
Aug 15	39771	A B Cosby	Same		39971	530	A3C	Sept 1	3150	1550	1600	2 00	3 71	5 71			1071	75	8 02		2 31
			Totals forwarded																		

NOTE.—One page is given to the account of each individual. Postings are made from the ginning tickets to all but the last two columns: postings to these come from the cash journal. Instead of this form, a simple ledger form of the usual style may be used.

Where the ginning is done on a cash basis, or where the grower's copy of the ginning ticket (Form 2 or 2*a*) is returned to the gin at the time payment of the account is made, an excellent receipt is provided by marking the tickets paid and returning them to the customer. In case there are a number of bales, however, less time will be consumed if Form 4 is filled out.

THE GINNING (ACCOUNTS RECEIVABLE) LEDGER—FORM 3.[1]

Form 3 is the customer's ledger, one sheet being used for each grower. Since it rarely happens that the ginning is paid in cash for each bale at the time of ginning, it is necessary that an account be kept with every customer. The ginning ledger provides this record, one page being assigned to each customer, whose name is placed on the top of the page in the space provided.

The same columns are found in the ginning ledger as in the ginning register (except the name and the cash received columns), namely, the date, the ginning ticket number, and the bale record under which is found the number, the weight, the mark, and the date of delivery. Under Seed cotton are found the gross, tare, and net weight; under Ginning charges, bagging and ties, ginning charge, and the ginning total. Under Disposition of seed is found the amount taken, amount bought, price, value, and check number. In the last column is the date and the amount of payment.

All postings of ginning charges to customers' accounts are made from the ginning register (Form 2), and when the posting is completed the total of all the ginning accounts should be equal to the total in the register. The amount of the payments should be equal to the corresponding total of the payments in the cash journal.

If desired, the ginning ledger sheet can be so made as to give a carbon copy, in which case the original should be perforated so that it may be torn off and handed to the customer at the end of the season or whenever the settlement of the account is completed. Care must be taken, of course, that the account is kept intact until it is fully paid.

In case charge sales of cotton, cotton seed, or other materials are made to persons for whom no ginning has been done, these accounts should be opened in the ginning ledger, using, instead of the regular ginning-ledger sheet, an ordinary stock form of ledger sheet. These sales should be entered in the cash journal and posted from there to the proper account in the ginning ledger.

THE CASH RECEIPT—FORM 4 (OPTIONAL).[2]

Since no entry is made on the ginning ticket except for cotton, each ticket representing a bale, it is not convenient to use this form as a cash receipt, and therefore it is suggested that a separate blank be used, similar to Form 4, on which every item of cash receipts is

[1] See page 12.

[2] See page 42.

U. S. Bureau of Markets and Crop Estimates
Ginnery System
Form 3—Ginning Ledger

M A. B. Castley FARM OF .....

DATE 1920		Ginning Ticket No.	BALE RECORD				SEED COTTON WEIGHT			GINNING CHARGE			DISPOSITION OF SEED					RECEIVED FOR GINNING	
			No.	Wgt.	Mark	Del.	Gross	Tare	Net	B. & T.	Ginning	Total	Tak'n	Bo't.	Price	Amt.	Check No.	Date	Amt.
Aug	15	39771	39771	530	ABC	3 of 1	3150	1550	1600	2 00	3 71	5 71		1070	75	8 02	1025		
"	25	39892	39892	530	ABC	"	3150	1550	1600	2 00	3 71	5 71	1070						

Note.—The entry of two ginning tickets made out on Form 2a No. 39771, where seed was bought and the owner paid by check for the balance due; No. 39782, where the owner retained part of the seed and the balance is to be paid later.

recorded. The form is put up in duplicate, one going to the payer and the other being retained in the bound book; the receipts are numbered consecutively, and every number must be properly recorded. They should be entered in the cash journal. This form is not absolutely essential, but it will be found that its use very often saves confusion and additional work.

THE CASH JOURNAL—FORM 5.[1]

The cash journal (Form 5) is a combination of the cash book and the journal. The incorporation of these two books into one form and the columnal development of the form tend to facilitate the classification of entries and to reduce the posting to the ledger. No special forms are provided in the system for the recording of purchases and sales, but the cash journal is used for the recording of these items.

Effort has been made to reduce the size of this form by limiting the number of special columns to those having sufficient items each month to warrant economy in their use. A book of moderate proportions will be found much more convenient to handle and to operate than one containing a large number of columns, if the needs of the business are not such as to necessitate the additional columns.

The captions of the columns of the cash journal are as follows:

Debit side: Ledger folio (L F); general ledger; ginning ledger (accounts receivable); receipt number; cash received; bank deposits; notes payable; bagging and ties purchased; cottonseed purchases; seed-cotton purchases; blank; pay-roll account; repairs; power expense; blank; insurance; rent and taxes; office supplies; blank.

Credit side (reading from left to right): Date; name; ledger folio; general ledger; ginning ledger (accounts receivable), cash payments; check number; bank withdrawals, notes payable; bagging and ties sales; cottonseed sales; cotton sales; custom ginning income; ginning purchased seed-cotton; three blank columns.

JOURNALIZING.

As often as is convenient, the results recorded in the ginning register (Form 2) are entered into the cash journal after the manner illustrated below. This is one of the most important features of the work, and should be very carefully performed.

Ginning ledger.	Cotton seed bought.	Cash receipts.	Oct. 31, 1919.	Ginning.	B. and T.
	225.00		Cottonseed bought.		
75.00			Accounts receivable.		
			Custom ginning income	250.00	
			Bagging and ties sales		50.00
			Totals from the ginning register.		

[1] See folded sheet facing page 16.

THE GENERAL LEDGER.

The form of general ledger sheet is usually kept in stock by stationers. The posting is done from the cash journal into the general ledger once a month or as often as is desired. No individual items are posted into the general ledger, except those found in the general ledger columns of the cash journal. The totals of the special columns are posted direct from the cash journal to the proper account in the ledger. The debit totals are posted to the debit side and the credit totals to the credit side of the account. Since the debits are equal to the credits in the cash journal, and since no posting is done from any other book, the two sides of the ledger must be equal and the trial balance should be easy to obtain at any time. The accounts found in the ledger are charted and described on pages 21 to 35.

HOW THE SYSTEM WORKS.

Sample entry of actual transactions showing the operation of the system will be found on the forms illustrated at the end of this bulletin. In studying the system or in actually using it, these sample entries should be referred to until it is thoroughly understood just how the entry should be made.

THE GINNING RECORDS.

The ginning records are the bale tag (Form 1), the ginning ticket and register (Form 2), and the ginning ledger (Form 3). The sole function of the bale tag is to identify the bale as it passes from the producer to the consumer. The ginning ticket and register is the original detailed and serial record of the bale and all the information relating to the ginning operations, while the ginning ledger is the book of personal accounts of patrons. The debit side of the ginning ledger and the total ginning charges in the register should be equal when the posting is completed. The net total of the balances in the ginning ledger should agree with the balance of the accounts receivable account in the general ledger.

RECEIVING THE COTTON.

As the grower drives on the scale, the weigher takes the next numbered bale tag (Form 1) and on a ginning ticket (Form 2), *of the same number as the tag*, he records the gross weight; then the cotton is drawn into the gin, after which the tare or the weight of the wagon and driver is deducted; the difference is the net weight of the seed cotton. The weight of the bale multiplied by the rate gives the charge for ginning. Adding the value of the bagging and ties gives the total charges if the charge for bagging and ties is not included in the ginning charge. By subtracting the weight of the bale from the net weight of the seed cotton the weight of the cotton seed from the bale is found. Except when the seed cotton is of a very low grade, is unusually dirty, or contains hulls and bolls in large quantities, no

deduction for such foreign matter need be made, as the weight of the bagging and ties placed on the bale usually will offset this loss. Care should be taken to perform the calculations in the proper space on the ginning ticket. This will be of great assistance in auditing and will also be a valuable record in case disputes arise later. It is also of great importance that every tag and ticket be recorded and that memoranda be made of lost or destroyed tickets and tags. Care should be taken to fill out every space and that every signature required be properly signed. If the form is put up in triplicate, two copies are perforated and are torn out, while the third remains in the book for permanent record.

Two courses are open to the grower—either to pay the ginning charges in cash or to sell the seed to the ginner. When the cotton seed is bought, the net pounds of seed are recorded, the price per hundredweight, and the total value. From this the charges are deducted and the balance is due the grower, which should be paid by check.

The practice is for the ginner to carry an account with the grower until the end of the season or until the cotton is sold, when settlement of the account is made. Occasionally a small lot of seed is carried home by the grower, and this should be recorded.

As stated in the introduction, trading should be entirely disassociated from the ginning operations, as otherwise it would be impossible to establish a satisfactory basis for ginning costs. Where a ginner buys seed cotton on his own account, he should charge this cotton with the ginning, as explained on page 35, and the usual record should be made of the ginning and baling.

The distribution columns at the right of the ginning ticket should be totaled at the end of each page and the totals forwarded. These totals furnish the facts for the summary of operations at the end of the season.

THE GINNING LEDGER.

Once a week, or as often as occasion requires, the data recorded in the ginning register are footed and posted into the ginning ledger (Form 3). No specific instructions for posting are necessary, since the arrangement of the columns in the register and ledger are identical. The sheets in the ledger are arranged alphabetically, so that the initial of the account should be noted as a posting mark in the L. F. column of the register. Care must be taken to see that the total charge in the register and the postings to the ledger are equal.

THE FINANCIAL RECORDS.

The cash receipt (Form 4), the cash journal (Form 5), and the general ledger (Form 6) comprise the financial records.

Cash Receipts.

Every item of cash received is entered on a cash receipt (Form 4). This includes borrowed money payments on account and miscellaneous receipts of every description. Care should be taken to use a good pencil carbon sheet so as to insure a perfect copy. Patrons should be trained to expect a receipt for every payment. Every day the receipts are recorded in numerical order in the cash journal, and the amounts are distributed to their respective columns.

PAYMENTS.

It is suggested that, whenever practicable, all receipts be deposited in the bank and that all payments be made by check. When this is done, the difference between the receipts and payments will always be equal to the balance in the bank if all the checks have been paid. It is a good practice to enter the check number in the margin opposite the payee on the credit side of the cash journal and to preserve the check as a receipt. A notation on the check of the items paid is a valuable record. A special voucher check will be found very convenient in a large business. The canceled check should be attached to the original invoice or voucher and filed away for reference. Cash discount should be taken at every opportunity, not only because of the saving, but because the credit and reputation for good business methods are greatly enhanced by a habit of promptness in meeting obligations.

The Cash Journal.

The cash journal (Form 5) provides a chronological record of the financial transactions of the business and combines the features of the cash book, journal, sales book, and purchase book. All transactions must be journalized in detail or in totals in the cash journal; consequently no items can be posted to the general ledger except those appearing in the journal. On the left-hand page appear the debit columns and on the right-hand the credit columns; at every stage of the record the totals of the two sides must be equal

DEBIT COLUMNS.

Cash.—All receipts of cash of whatever nature are entered in the cash column, the corresponding credits being made to the proper accounts affected.

Bank deposits.—The amounts of the deposits made in the bank are entered in the bank deposits column. The bank balance, as shown by the cash journal at the end of the previous month, is carried forward to the head of the bank deposits column for the current month, making it possible to ascertain at all times the available amount of money in the bank by deducting the footing of the with-

CR.

GENERAL LEDGER	L F	ON ES	CUSTOM GINNING INCOME		HAULING			

U. S. Bureau of Markets and Crop Estimates
Ginnery System
Form 5

CASH JOURNAL

DR.

Operating Expense: Cotton Scales	Operating Expense: Rent and Taxes	Operating Expense: Insurance	Power Expense	Repairs	Payroll Account	Seed Cotton Purchases	Cottonseed Purchases	Bagging and Ties Purchases	Notes Payable	Bank Deposits	Cash Received	Rec't No.	Ginning Ledger	General Ledger	L. F.
											75 00				
											8 75				
											4 75				
										738 75					
11 25															
			137 50												
			117 85												
			70 00												
				22 50											
					169 25										
	4 80														
											28 75				
													11 42		
							8 02								
						3 00									
										110 00					
11 25	4 80		325 35	22 50	169 25	3 00	8 02			848 75	117 25		11 42		

CASH JOURNAL

CR.

Date	Name	L. F.	General Ledger	Ginning Ledger	Cash Payments	Check No.	Bank Withdrawals	Notes Payable	Bagging & Ties Sales	Cottonseed Sales	Cotton Sales	Custom Ginning Income	Hauling
	Brought forward												
1	Cash on hand - undeposited		75 00										
3	John White on account			8 75									
	Cash sale - cotton seed									4 75			
7	Discounted note at bank												
	90 days at 6%							750 00					
	Miscellaneous Expenses												
	(Discount on above note)												
8	Alabama Coal Co - Ck. in												
	payment of car of coal												
	Car No. IC 40375												
	M & O Ry - 5 Ton Coal					1018	137 50						
9	Texas Oil Co - 35 gals. Oil					1019	117 85						
11	Southern Machine Co.					1020	70 00						
	Repairs on engine & boiler					1021	22 50						
15	Labor - 10th to 15th												
	Joe Jackson					1022	48 75						
	D. A. Jones					1023	68 00						
	Mott White					1024	52 50						
19	Office Supplies - Paper, Envelopes, Ink				4 80								
20	Da Jones - on account			28 75									
25	Accounts Receivable Control												
	Bagging & Ties								4 00				
	Custom Ginning Income											7 42	
	Cotton Seed Purchases												
	Red Cotton Purchases												
	A. B. Coatley on Ck (#3977)			5 71									
	Ck for Cotton					1025	5 31						
	This two columns record												
	transactions as shown on												
	Ginning Ticket (or register)												
26	Deposited in bank				110 00								
			75 00	43 21	114 80		522 41	750 00	4 00	4 75		7 42	

drawals column from the footing of the bank deposits column. The balance thus forwarded must be deducted from the total of the column before posting is made to the general ledger at the end of the month.

General ledger.—This column is used for all items to be posted to the debit of the accounts in the general ledger, and for which no special columns have been provided. Posting should be made in detail from the column to the proper accounts in the general ledger.

Ginning ledger (accounts receivable).—In the ginning ledger column are entered all charges for ginning as they are recorded in the ginning register and all charges for sales of material on account. All detail postings are made from the register to the ginning ledger and only the total charges are posted once a month or at the end of the season into the accounts receivable control account on the general ledger.

Notes payable.—In this column are entered payments on written obligations, such as notes, mortgages, drafts, etc.

Bagging and ties purchases.—In this column are entered amounts paid for all purchases of bagging and ties which are to be used in the ginning operations.

Cotton seed purchased.—In this column are entered all amounts paid for cotton seed purchased.

Operating expense columns.—In these columns are entered payments for the various charges indicated by the column caption.

Other columns are operated in a similar manner to those which have been mentioned.

CREDIT COLUMNS.

Cash.—The cash column carries all items of cash of whatever nature which are disbursed by the organization, either for petty expenditures or to be deposited in the bank. It should be a strict rule that all cash receipts are to be deposited in the bank when it is possible to do so. It is sometimes found inexpedient to adhere to this rule, and for that reason a cash column on the credit side of the journal has been provided. Where a petty cash fund is in use, the credit cash column need not be used.

General and ginning ledgers.—These columns serve the same purposes on the credit side as were explained on the debit side, the postings in this instance being made to the credit side of the ledger accounts.

Notes payable.—In this column are entered loans and renewals for which written obligations have been given.

Cottonseed sales, custom ginning income.—The entries into these and other columns not specifically mentioned are items which fall under the respective captions, and are similar in operations to those described.

Blank columns are provided for accounts having frequent entries.

The General Ledger.

The general ledger is the book of accounts and is the most important book for the use of the manager when seeking information. In it should be found all accounts which relate to the financial side of the business. From these accounts it should be possible to obtain all financial information desired, without reference to the records in which the entries are first made.

No form is shown for this book, inasmuch as a stock form which will be entirely satisfactory and less expensive can be found at most stationery stores. A loose-leaf ledger will be found much more satisfactory, and, in the end, cheaper than the old-fashioned bound book.

OFFICE EQUIPMENT.

It is of great importance to have proper office equipment. Nothing discredits a business establishment more quickly in the eyes of the public than slovenly appearance of the premises, and particularly an office littered with all kinds of rubbish and devoid of every convenience and comfort.

It should be emphasized that no great amount of money is required to keep the litter off the desk and counters and the cobwebs off the shelves. Many valuable conveniences can be improvised by the progressive bookkeeper and manager, and a duster costs practically nothing.

The first step in organizing any office, simple or complex, is to get things off the desks and counters completely, at least once a day. This means filing; it means keeping only things that are useful—papers, documents, books; it means continually applying the old adage, "A place for everything and everything in its place."

Failure to file and index papers and material which are frequently referred to causes an enormous waste of time. Such failure, generally, is due not to ignorance of proper method, but to a lack of the application of common sense. Anyone can use a dictionary or a telephone directory. There are no better models of good indexing. If drawers become numerous, number them and index the contents, thus saving the time and annoyance of frequent hunting for misplaced things.

FILING.

This investigation showed that there is great laxity in handling the papers in the average ginnery. It is, therefore, suggested that wherever practicable a suitable vertical file be provided. Where the volume of papers is considerable, the numerical file will be found convenient and a suitable card index should be used to locate the individual files. In filing vouchers, or any evidence of cash payment, it is suggested that the vouchers be numbered the same as the checks, and that all papers pertaining to each payment be filed with the canceled check.

APPENDIX.

[How to keep the necessary accounts, close the books at the end of the year, prepare the annual reports, etc.

LEDGER ACCOUNTS TO USE.

No matter what forms are used in recording the transactions, unless the financial facts are recorded in a uniform manner, under uniform account-captions, a uniform system of accounting can not be said to exist. The use of a uniform system of accounting and reporting by the ginning industry as a whole makes possible the exchange of data regarding business operations which is of great value as a guide to efficient operation. Furthermore, the attitudes of banks toward the extension of credit is influenced by the clarity of the reports submitted in support of an application for a loan, and by the ease with which the financial condition and progress of the organization can be ascertained from such reports. It is with the aim of assisting in this highly important work of unification that a classification of general ledger accounts is presented herein.

On pages 21 to 35, following, is described the detail operation of the general ledger accounts which it is believed will be found desirable for use in the average cotton ginnery. Some organizations will not need all of these accounts, while others will wish to have additional ones to show certain special features of their operations.

The accounts hereinafter described are so arranged that a monthly income and expense statement can be prepared with a minimum of work and without closing the books. The combination of letter and number shown at the right of the account title should be used as the number (page) of the account in the ledger. This plan of numbering permits the insertion of additional accounts without disturbing the relative position of those already in use. The plan is a decided aid to the preparation of monthly and annual statements. In the discussion of ledger accounts the term "fiscal period" means the financial or other operating period as distinguished from the calendar periods; the term "at the opening of the books" means the time of installation of a new system of accounts.

OPENING THE BOOKS.

In order to open the accounts, it is necessary to take a physical inventory of all assets and to take into consideration all liabilities of the concern. These should be arranged in the form known as a balance sheet, with assets on the left and liabilities on the right. (See illustration on page 4.) The difference between the total assets and total liabilities will represent the net worth, either as capital stock, surplus, or deficit. These accounts are described at length under their respective captions. The assets should be arranged in the order of their probable cash realization and the liabilities in the order of their probable priority as to liquidation.

The items appearing in the balance sheet should then be entered in the cash journal, the amount of each item being posted from the cash journal to the proper ledger account. As succeeding transactions are classified, entered in the journal, and posted to the proper ledger accounts, the ledger will contain a summary of the financial facts

of the business, arranged under their proper designation, each summary being known in bookkeeping as an account.

CHART OF LEDGER ACCOUNTS FOR COTTON GINNERIES.

Balance Sheet Accounts (Nos. A to I, inclusive).

ASSETS.

		Page.
A.	Current assets:	
	A1. Cash on hand	21
	A2. Cash in bank	21
	A3. Notes receivable	21
	A4. Accounts receivable control (ginning ledger)	22
	A5. Inventory	22
B.	Fixed assets:	
	B1. Land	22
	B2. Buildings	23
	B3. Machinery and equipment	23
	B4. Office furniture and equipment	24
D.	Accounts paid in advance:	
	D1. Prepaid insurance	24

LIABILITIES, RESERVES, AND NET WORTH.

F.	Current liabilities:	
	F1. Notes payable	25
	F2. Accounts payable	25
	F3. Dividends payable	25
G.	Accrued liabilities:	
	G1. Pay-roll account	26
	G2. Accrued taxes and rent	26
H.	Reserves:	
	H1. Depreciation, buildings	27
	H2. Depreciation, machinery and equipment	27
	H3. Depreciation, office equipment	27
	H4. Doubtful accounts	28
I.	Net worth:	
	I1. Capital stock	28
	I2. Surplus	29
	I3. Loss and gain	30

Income and expense accounts (Nos. A to P, inclusive).

K.	Ginning income:	
	K1. Custom ginning income	30
L.	Trading income:	
	L1. Cottonseed sales	31
	L2. Cotton sales	31
	L3. Bagging and ties sales	31
M.	Miscellaneous income:	
	M1. Cash discount	31
N.	Ginning expense, operating:	
	N1. Salaries and labor expense	32
	N2. Power expense	32
	N3. Repairs	32
	N4. Depreciation	32
	N5. Operating supplies	33
	N6. Insurance	33
O.	Administrative expense:	
	O1. Office supplies	33
	O2. Telegraph, telephone, and postage	33
	O3. Rent	33
	O4. Taxes	34
	O5. Loss from bad accounts	34
	O6. Miscellaneous expense	34
P.	Trading accounts:	
	P1. Seed-cotton purchases	34
	P2. Cottonseed purchases	35
	P3. Cotton purchases	35
	P4. Bagging and ties purchases	35

Operation of Ledger Accounts.

A. CURRENT ASSETS.

Cash on Hand (A1).

Debit:	Credit:
1. With the total of undeposited checks and cash on hand in the office as shown by the balance sheet at the time of opening the books. 2. With the total cash received during the current period.	1. With the total cash receipts deposited in bank (at this time, debit cash in bank account). 2. With the total cash disbursed direct from the office during the current period.

The original amounts which are finally entered in this account are found in the cash receipts book (Form 4), the totals of which are recorded daily in the cash journal (Form 5) where the amounts are distributed to the proper columns.

Cash in Bank (A2).

Debit:	Credit:
1. With the balance in the bank as shown by the balance sheet at the time of opening the books. 2. With the total of all deposits during the period. 3. With interest credited by the bank.	1. With the amount of overdraft as shown by the balance sheet at the time of opening the books. 2. With the total of all amounts disbursed by check during the period. 3. With interest charged by the bank on overdraft.

This account will appear in the ledger under the name of the bank and should be debited with the amount of cash on deposit at the beginning of the period. This balance is determined by taking the balance rendered by the bank and deducting therefrom the total of all outstanding on uncanceled checks. Normally the balance shown by the bank will be in excess of that shown by the records of the organization.

Debits and credits to this account for interest receipts and payments and exchange charges will arise from debit and credit memoranda submitted by the bank at the time of rendering its statement.

Notes Receivable (A3).

Debit:	Credit:
1. With the face value of notes of others on hand as shown by the balance sheet at the time of opening the books. 2. With the face value of the notes received during the period.	1. With amounts paid on notes by their makers, settlements made in any other manner or amounts charged to reserve for doubtful accounts as uncollectible.

It is sometimes the practice to allow customers to make settlement of their accounts with a note. In such instances the face value of the note should be charged to this account and credited to the customer's account in the ginning (accounts receivable) ledger. If these notes are discounted at the bank before maturity this account would be credited with the face value of the note, charge being made to the bank for the proceeds, and to miscellaneous expense for the discount.

ACCOUNTS RECEIVABLE CONTROL (A4).

Debit:	Credit:
1. With the total charged to individual accounts as shown by the balance sheet at the time of opening the books. 2. With the monthly totals of the charge sales as shown by the debit ginning ledger column in the cash journal.	1. With the monthly totals of collections on account, as shown by the credit ginning ledger column in the cash journal. 2. With any other credits to customer's accounts, including the writing off of uncollectible accounts. (See Reserve for bad debts.)

The debit balance of this account must equal the net total of the balances of customer's accounts as shown by a summary of the ginning ledger.

The postings to this account are the monthly totals of the ginning ledger columns in the cash journal.

INVENTORY (A5).

Debit:	Credit:
1. With cost value of all salable merchandise and operating supplies on hand as shown by the balance sheet at the time of opening the books. 2. At the close of each fiscal period with the cost value of all salable merchandise and operating supplies on hand as per inventory. (Credit the various purchase accounts.)	1. At the beginning of each fiscal period with the cost value of all salable merchandise and operating supplies on hand. (Debit the various purchase accounts.)

The balance of this account will represent the value of salable merchandise and operating supplies on hand at the end of the previous fiscal period. (See discussion of inventory on page 37.)

B. FIXED ASSETS.

LAND (B1).

Debit:	Credit:
1. With the cost of the land owned as shown by the balance sheet at the time of opening the books. 2. With any subsequent purchases of land. 3. With the cost of any permanent improvement, such as sewers, water, mains, etc.	1. With the cost of any land sold.

If any land is sold at a price in excess of its cost, such excess should be credited to surplus.

BUILDINGS (B2).

Debit:	Credit:
1. With the cost of the buildings as shown by the balance sheet at the time of opening the books. 2. With the cost of all new constructions. 3. With the cost of all additions or alterations when such cost increases the utility. 4. With the cost of replacements in excess of the cost of the part replaced.	1. With the total cost of any buildings sold. 2. With the cost of parts of buildings destroyed or replaced. (Debit Reserve for depreciation on buildings.)

See Reserve for depreciation on buildings.

As the land and buildings are frequently purchased at the same time, the purchase price will include both assets. Care must be exercised that a proper division of these assets is made, as depreciation is to be figured only upon the buildings.

MACHINERY AND EQUIPMENT (B3).

Debit:	Credit:
1. With the original cost of the machinery and equipment as shown by the balance sheet at the time of opening the books. 2. With the cost of subsequent purchases of machinery and equipment including freight or express on same, installation, etc. 3. With the cost of alterations and improvements increasing the efficiency or the capacity of the plant.	1. With the cost value of machinery or equipment sold, discarded, or destroyed, at which time debit Cash account for the amount realized, if any, and debit Reserve for depreciation on machinery and equipment for the difference between the cost value and the amount realized.

The balance of this account represents the cost of machinery and equipment in use.

This account should be charged with the costs of all items of machinery and equipment which, under ordinary circumstances, will last three years or more, such as engines, boilers, motors, etc. When any article which has been charged to this account is to be replaced the asset account should be credited with the cost value placed on this item at the time of opening the books or at the time of purchase. Example: A piece of machinery costing $100 was replaced by a new one costing $150, cash being paid for the new article, the following journal entry would be made:

Debit.		*Credit.*
$100	Reserve for depreciation on machinery and equipment.	
	Machinery and equipment	$100
	(For discarded machine costing $100.)	
150	Machinery and equipment.	
	Bank account	150
	(For purchase of new machine.)	

To the invoice value of any machinery purchased should be added any expense incurred, such as freight or installation charged. In case the amount set aside as reserve for depreciation is not sufficient to cover the original cost of the item replaced, the loss sustained should be charged to an account specifically captioned.

Example: A boiler costing $150 was completely destroyed by an explosion. At the time the account "Reserve for depreciation on machinery and equipment" shows a credit balance of $100. It was necessary to pay $200 for a similar boiler. The following journal entries should be made:

Debit.		*Credit.*
$50	Reserve for depreciation on machinery and equipment.	
100	Loss, boiler explosion.	
	Machinery and equipment	$150
	(For loss on machinery and equipment due to explosion.)	
200	Machinery and equipment.	
	Bank account	200
	(For purchase of new boiler.)	

In the above entries it should be carefully noted that the full amount set aside as a "Reserve for depreciation on machinery and equipment" has not been entirely exhausted by this loss, inasmuch as this fund is set aside to cover depreciation on all the machinery and equipment, and only the relative proportion applying to the boiler can be charged to the reserve account.

The account "Loss, boiler explosion" should be periodically reduced by the following entry:

Debit.		*Credit.*
$10	Expense, boiler explosion.	
	Loss, boiler explosion	$10
	(For periodical charge to amortize loss due to explosion.)	

The acccunt "Expense, boiler explosion" should be carried to Profit and loss account at the close of the fiscal year.

OFFICE FURNITURE AND EQUIPMENT (B4).

Debit:	Credit:
1. With the original cost of office furniture and equipment as shown by the balance sheet at the time of opening the books. 2. With the cost of additional equipment purchased, including transportation, installation, etc.	1. With the cost of any item sold, discarded, or destroyed. (See credit under Machinery and equipment.)

This account should include such articles as desks, filing cases, adding machines, typewriters, ledger, journal binders, etc. In other words, those articles which should last for an indefinite period of time.

D. ACCOUNTS PAID IN ADVANCE.

PREPAID INSURANCE (D1).

Debit:	Credit:
1. With the amount of unexpired insurance premiums as shown by the balance sheet at the time of opening the books. 2. With insurance premiums paid. (Credit Bank account.)	1. At the close of a fiscal period with the insurance premiums expired dur the period. (Debit Insurance expense.) 2. With refunds on canceled policies.

The debit balance of this account is an asset and should be shown on the balance sheet.

Usually policies run for a year or more and are paid for in advance. This payment is charged to the "Prepaid insurance" account and represents an asset value. This amount is reduced periodically by a charge to "Insurance expense," the credit being carried to the "Prepaid insurance" account.

F. CURRENT LIABILITIES.

NOTES PAYABLE (F1).

Debit:	Credit:
1. With amounts paid on outstanding notes. 2. With the unpaid portion of old notes canceled by renewal.	1. With the balance of outstanding notes as shown by the balance sheet at the time of opening the books. 2. With all new notes issued, including renewals of old notes.

Should a note be renewed, thus in effect giving a new note for the old note, debit this account for the face value of the old note, and credit the account with the amount of the new note.

A careful record should be maintained of all notes given, showing date issued, to whom, due date, and rate of interest.

ACCOUNTS PAYABLE (F2).

Debit:	Credit:
1. With payments on account, 2. With purchased goods returned for credit. 3. With allowances and refunds on purchases.	1. With amounts due creditors on open accounts at the time of opening the books as shown by the balance sheet. 2. With the invoice value of merchandise purchased on credit.

When the invoice has been credited to accounts payable the check given in payment of same must be charged to accounts payable. As the canceled check is a sufficient receipt, it is suggested that invoices be stamped "Paid ....., 19..," and filed alphabetically for future reference.

A method much to be preferred to that just described, especially for the larger organizations, is the use of a voucher payable register, description of which may be found in most books on accounting.

Care must be exercised when entering checks to ascertain whether they should be charged to accounts payable when goods are purchased on credit, or to an inventory or expense account when goods are purchased for cash.

Separate accounts should be opened for firms with which a credit business is conducted currently.

It is not the intention to carry individual ledger accounts with all the various creditors because in many cases only a single purchase will be made from one concern and practically all invoices will be paid during the period.

DIVIDENDS PAYABLE (F3).

Debit:	Credit:
1. At the time of payment with the total of checks paid to the stockholders as dividends.	1. At the close of the period with the annual dividend payable to the stockholders. (Debit Surplus account).

G. ACCRUED LIABILITIES.

PAY-ROLL ACCOUNT (G1).

Debit:	Credit:
1. With all amounts paid to employees for services, including advances made in cash.	1. With the amount of unpaid labor as shown by the balance sheet at the time of opening the books. 2. With the amount of the pay roll, as shown by the time sheet at the close of the period. (Debit Salaries and labor).

It is necessary to include all employees on the pay roll, regardless of the department in which employed. The following journal entry will serve to illustrate the operation of this account and would be made at the end of each period. Example: The entire pay roll is $400 and $20 had been advanced during the period:

JOURNAL ENTRIES.

Debit.		*Credit.*
$135.00	Factory labor.	
265.00	Office labor.	
	Pay roll	$400.00
	(For periodical pay roll.)	
380.00	Pay roll.	
	Bank account	380.00
	(For payment of periodical pay roll.)	

Inasmuch as the $20 has been charged to the Pay-roll account at the time the advance was made, it is evident that the credit of $380 to the bank account will close the Pay-roll account.

Occasionally an employee may desire an advance on his labor account in which case Pay-roll account should be debited for the amount advanced. It is not considered advisable to carry ledger accounts with employees because of cash advances, but very careful note should be made of such advances to prevent duplicating the payment.

Should an employee purchase merchandise, such sales should be charged to his personal account. At the end of the period, or whenever the pay roll is made up, a check should be drawn in favor of the employee for the full amount of his wages. The employee should then settle his account in the regular way. By following this procedure the records will reflect clearly the transactions involved.

The following journal entry will illustrate this procedure:

Debit.		*Credit.*
$8.50	John Jones.	
	Merchandise sales	$8.50
	(For sale of merchandise to John Jones, employee.)	

John Jones would then receive his entire wages and would settle for his account by the following transactions:

Debit.		*Credit.*
$8.50	Cash.	
	John Jones	$8.50
	(For payment of John Jones account.)	

ACCRUED TAXES AND RENT (G2).

Debit:	Credit:
1. At the beginning of the fiscal period with the credit balance. (Credit Taxes, account O4, and rent, account O3.)	1. With the amount of accrued rent and taxes as shown by the balance sheet at the time of opening the books. 2. With the amount of accrued rent and taxes at the end of the fiscal period. (Debit corresponding expense account.)

This account should be entered only State and local taxes and rents. Income taxes must not be charged here, but should be charged to surplus.

H. RESERVES.

RESERVE FOR DEPRECIATION, BUILDINGS (H1).

Debit:	Credit:
1. With the cost or book value of entire buildings or parts of buildings discarded or destroyed. (Credit Buildings.)	1. With the amount reserved as accumulated depreciation on buildings as shown by the balance sheet at the time of opening the books. 2. At the end of the fiscal period with the estimated amount of depreciation. (Debit Depreciation of plant.)

Where an entire roof, floor, or other part of a building is renewed, the original cost of the renewed part should be charged to this account, and the cost of the renewal to the Buildings account. Fireproof buildings of modern construction should be depreciated from 1 to 2 per cent annually and frame structure from 3 to 5 per cent.

RESERVE FOR DEPRECIATION, MACHINERY AND EQUIPMENT (H2).

Debit:	Credit:
1. With the cost or book value of machinery or equipment *destroyed* or *discarded.* (Credit Machinery and equipment.) 2. With the difference between the cost value and amount realized from items *sold.* (Credit Machinery and equipment.)	1. With the amount reserved as accumulated depreciation on machinery and equipment as shown by the balance sheet at the time of opening the books. 2. With the estimated amount of depreciation at the end of the fiscal period. (Debit Depreciation on plant.) 3. With any amounts realized on sales of machinery and equipment which have previously been charged to this account.

Owing to the conditions existing in some types of plants, because of the peculiar nature of the work involved, the wear and tear of machinery and equipment is excessive. Special consideration should be given to these plant conditions in order that adequate reserves for depreciation may be provided. Further discussion will be found under "Machinery and equipment."

RESERVE FOR DEPRECIATION, OFFICE FURNITURE, AND EQUIPMENT (H3).

Debit:	Credit:
1. With the cost or book value of items *destroyed* or *discarded.* (Credit Office furniture and equipment.) 2. With the difference between cost and amount realized from items *sold.* (Credit Office furniture and equipment.)	1. With the amount reserved as accumulated depreciation on Furniture and equipment as shown by the balance sheet at the time of opening the books. 2. With the estimated amount of depreciation at the close of the fiscal period. (Debit Depreciation on plant.) 3. With any amounts realized on sales of items which have previously been charged to this account.

RESERVE FOR DOUBTFUL ACCOUNTS (H4).

Debit:	Credit:
1. With the amount of outstanding accounts found to be uncollectible. (Credit accounts receivable.)	1. With the amount reserved as accumulated losses not charged off as shown by the balance sheet at the time of opening the books. 2. With an amount estimated to cover the probable losses due to uncollectible accounts during the fiscal period. (Debit loss from bad accounts.)

Any collections made on accounts which have previously been charged off as worthless should be credited to this account.

I. NET WORTH.

CAPITAL STOCK (I1).

Debit:	Credit:
1. With the par value of shares retired or canceled.	1. With the par value of all shares issued as shown by the balance sheet at the time of opening the books. 2. With the par value of all shares sold subsequently.

The capital stock of a corporation is divided into shares, each share usually having a designated par value. These shares may be transferred from one individual to another without affecting the capital of the corporation. The ownership of a share of capital stock is evidenced by a stock certificate.

In organizing a corporation, a subscription list should first be prepared, the signers of which by law bind themselves to purchase the number of shares subscribed. No certificate of stock should be delivered to a stockholder until his subscription has been fully paid. Until such payment is made a temporary certificate may be given to the subscriber to be exchanged for the regular stock certificate on completion of payment.

When a subscription list has been prepared and the corporation formed on this basis, it is often provided that the subscription may be paid in installments. It is not desirable to credit these partial payments direct to the capital stock account. In view of this, when the subscription list has been completed an entry should be made debiting "Subscription account" and crediting "Capital stock" account for the amount subscribed. When payments of the subscription are made, either by cash or note, in full or in part, these payments should be credited to "Subscription account" and not to "Capital stock" account. The following entries will illustrate:

Debit.		*Credit.*
$10,000.00	Subscription account.	
	Capital stock	$10,000.00

For subscriptions shown on subscription list No. 1.

Debit.		*Credit.*
$4,000.00	Cash.	
1,000.00	Notes receivable.	
	Subscription account	$5,000.00

50 per cent payment of the following subscriptions:
(List those making payment.)

In case the entire capital stock is paid at one time, the following method might be used.

Entries to illustrate issue of capital stock and payment thereof:

Debit.		*Credit.*
$8,000.00	Cash.	
2,000.00	Notes receivable.	
	Capital stock	$10,000.00
	Representing payment of capital stock issued to the following:	

It sometimes happens that shares of stock are acquired or sold for more or less than the par value, and in such cases the premium or discount should be charged or credited as the case may be to "Premium and discount on capital stock" account.

For example, if a going concern desires to sell additional shares, the shares being above par in value, an entry should be made as follows:

Debit.		*Credit.*	
$105.00	Cash.		
	Capital stock	$100.00	
	(Premium and discount on capital stock		5.00
	(For sale of one share of stock at $5 premium.)		

Likewise, if shares were sold at a discount, there would be a debit to premium and discount on capital stock.

The balance in this account is sometimes written off by periodical charges to the surplus account. If preferred, the entry may be made direct to surplus instead of opening the account premium and discount on capital stock.

It occasionally happens that capital stock is offered for sale and is purchased by the organization, to be held for resale at some future date. While this may seem to be in the nature of a retirement of the capital stocks so purchased, and as such should be charged to the capital stock account, accountants generally have preferred to treat this transaction differently, and charge a purchase made in this manner to an account called "Treasury stock." In case the purchase was made at par, the entry should be:

Debit.		*Credit.*
$100.00	Treasury stock.	
	Cash	$100.00
	(For purchase of one share of stock from Chas. Brown.)	

When treasury stock is sold, the total amount received from such sale should be credited to the treasury stock account.

It should be remembered, however, that it is not incorrect to charge par value of the stock thus purchased to capital stock, but it is not recommended.

In case the organization is not a corporation, but a partnership, sole ownership, or association, the capital stock account would be replaced by accounts indicating the ownership, or membership.

SURPLUS (I2).

Debit:	Credit:
1. With the amount of dividends declared by the board of directors. (Credit Dividend account.)	1. With the amount of surplus as shown by the balance sheet at the time of opening the books.
2. With any net loss at the end of a fiscal period as shown by a debit balance of the Loss and gain account. (Credit Loss and gain.)	2. With the amount of net gain at the end of each fiscal period, as shown by a credit balance of the Loss gain account. (Debit Loss and gain.)
3. With adjustments decreasing the profits of a previous fiscal period.[1]	3. With adjustments increasing the profits of a previous period.[1]
4. With the amount of income and excess-profits taxes paid.	
5. With any appropriation of surplus made by the directors.	

In case the liabilities and outstanding capital stock exceed the total assets at the time of opening the books, the entry to this account will be a debit and will indicate a deficit. The same will be true if, at any future time, this account has a debit balance.

[1] Errors and omissions are often found which apply to a previous fiscal period. Adjustment of such items will be made through the Surplus account as indicated.

When the opening balance sheet shows the liabilities, capital stock, and accumulated reserves to be in excess of the total assets, including good will, the surplus account will show a debit balance. When this is the case, it is evident that there has been a loss due to operation which in reality amounts to an impairment of capital. The amount of such debit balance should be debited to an account captioned "Deficit." At the close of each following fiscal year the Loss and gain account should be closed into this account until the deficit is written off.

The Deficit account is in reality the debit side of the Surplus account, but should be carried under a distinctive caption. For example, if there is no surplus and a loss is sustained during the year, the loss shown by the debit balance of the Loss and gain account is an impairment of the capital and should be carried to the deficit account by the following journal entry:

Debit.		*Credit.*
$1,500.00	Deficit.	
	Loss and gain	$1,500.00
	(To close Loss and gain into Deficit account.)	

If the company makes a net profit of $2,000 during the succeeding year, the journal entry will be as follows:

Debit.		*Credit.*
$2,000.00	Loss and gain.	
	Deficit	$1,500.00
	Surplus	500.00
	(To close the Deficit and Loss and gain account.)	

LOSS AND GAIN (I3).

Debit:	Credit:
1. At the end of the fiscal year with any debit balances of income accounts (showing losses) and with the debit balances of the Expense accounts.[2] (At this time credit such accounts.)	1. With the credit balances of all income accounts at the close of the fiscal period.[1] (Debit Income accounts.) 2. With the amount charged to ginning seed-cotton purchases as cost of ginning such cotton. (See account P1*a*.)

At the end of the fiscal period, if the credits to this account exceed the debits, a net gain is shown; but if the debits exceed the credits a net loss has resulted from the year's operations. This account will be closed by a debit or credit, as the case may be, to Surplus account.

K. GINNING INCOME.

CUSTOM GINNING INCOME (K1).

Debit:	Credit:
1. With the credit balance at the end of the current period. (Credit Loss and gain.)	1. With the total of the "Ginning charges" during the period.

This account shows the earning from the ginning of cotton for patrons, usually called custom ginning.

[1] See accounts under Income accounts in the classification.
[2] See accounts under Expense accounts in the classification.

L. TRADING INCOME.

Cottonseed Sales (L1).

Debit:	Credit:
1. With the sale value of any cottonseed which has been recorded as sold, but which has been subsequently returned. 2. With the credit balance at the end of the fiscal period. (Credit Loss and gain.)	1. With the sale value of all cottonseed sold. (Debit Accounts receivable or Cash accounts.)

The sale of all cottonseed must be credited to this account.

Cotton Sales (L2).

Debit:	Credit:
1. With the sale value of any cotton which has been recorded as sold but which has been subsequently returned. 2. With the credit balance at the end of the fiscal period. (Credit Loss and gain.)	1. With the sale value of all cotton sold. (Debit Accounts receivable or Cash account.)

The sale of all ginned cotton must be credited to this account in order that the true relation existing between the trading and ginning operation may be determined.

Bagging and Ties Sales (L3).

Debit:	Credit:
1. With the sale value of any goods which have been recorded as sold, but which have been subsequently returned. 2. With the credit balance at the end of the fiscal period. (Credit Loss and gain.)	1. With the value of bagging and ties used in ginning operations and charged to customers as a part of the charge made for ginning. 2. With the sale value of bagging and ties used in ginning purchased seed cotton. 3. With the sale value of any bagging and ties sold direct and not consumed in the ginning process.

All bagging and ties used in any of the ginning operations, or sold to outsiders must be accounted for by a credit to this account. In no other way can a proper relation between the ginning and trading operations be maintained. It is absolutely necessary to establish such a relation, if the unit cost of ginning is to be ascertained, and the adequacy of the charge made for ginning to be determined.

M. MISCELLANEOUS INCOME.

Cash Discount (M1).

Debit:	Credit:
With the credit balance at the close of the fiscal year. (Credit Loss and and gain.)	With any income arising from cash discounts deducted from invoices paid.

N. GINNING EXPENSE, OPERATING.

SALARIES AND LABOR EXPENSE (N1).

Debit:	Credit:
With the amount actually earned for the period by all factory employees as shown by the time sheet. (Credit Pay roll account.)	With the debit balance at the close of the fiscal year. (Debit Loss and gain.)

It will be noticed that this account is not charged with *advances* to employees not with the amount *paid* to employees, but with the amount actually *earned* during the period. All payments, of whatever nature, are charged to Pay roll account. (See p. 26.)

POWER EXPENSE (N2).

Debit:	Credit:
1. With the cost of all material of every nature used as fuel in producing power. 2. With the cost of electricity used for light or power. 3. With the cost of water used in making steam power.	1. With the debit balance at the end of the fiscal period. (Debit Loss and gain.)

All expenditures except for labor and for repairs to boilers, which are made directly with the aim of producing power, must be charged to this account.

REPAIRS (N3).

Debit:	Credit:
1. With the cost of repairs and renewals which are necessary to maintain the efficiency of the plant but which do not add to its original value.	1. With the debit balance at the close of the fiscal period. (Debit Loss and gain.)

This account takes care of such items as a broken window pane or a new plank in the approach. Where an entire piece of equipment is replaced, the old piece should be charged to Reserve for depreciation and the new one charged to Machinery and equipment, Buildings, or Office furniture and equipment, as explained under those accounts.

DEPRECIATION (N4).

Debit:	Credit:
1. With the amounts reserved out of the profits of each fiscal period to cover loss from wear, tear, and obsolescence of office furniture and equipment, machinery and equipment, and buildings. (Credit the corresponding reserve accounts.)	1. With the debit balance at the close of the fiscal period. (Debit Loss and gain.)

OPERATING SUPPLIES (N5).

Debit:	Credit:
1. With the cost of all supplies used in the current operation of the gin.	1. With the debit balance at the close of the fiscal period. (Debit Loss and gain.)

Operating supplies include such items as lubricating oils and greases, waste, etc., but do not include any item of repairs, or office supplies.

INSURANCE (N6).

Debit:	Credit:
1. At the close of the fiscal period with the insurance premiums expired during the period. (Credit Prepaid insurance.)	1. With the debit balance at the close of the fiscal period. (Debit Loss and gain.)

O. ADMINISTRATIVE EXPENSE.

OFFICE SUPPLIES (O1).

Debit:	Credit:
1. With all purchases of stationery, printing and supplies used in the office.	1. With the debit balance at the end of the fiscal period. (Debit Loss and gain.)

Should there be any considerable quantity of these supplies on hand at the end of the fiscal year, the value should be conservatively estimated and an entry made, charging an asset account captioned "Office supplies, inventory," and crediting this account. The asset should be shown on the balance sheet under accounts paid in advance.

TELEGRAPH, TELEPHONE, AND POSTAGE (O2).

Debit:	Credit:
1. With all payments for these items.	1. With the debit balance at the end of the fiscal period. (Debit Loss and gain.)

RENT (O3).

Debit:	Credit:
1. With the actual payments made on account of rent. 2. With accrued rent at the close of the fiscal period. (Credit Accrued rent and taxes.)	1. At the beginning of the fiscal period with the accrued rent at the close of the previous fiscal period. (Debit Accrued rent and taxes.) 2. With the debit balance at the end of the fiscal period. (Debit Loss and gain.)

No economic or theoretical rent should in any case be entered into this account.

TAXES (O4).

Debit:	Credit:
1. With the payments of all taxes (except income taxes). 2. With accrued taxes at the close of the fiscal period. (Credit Accrued rent and taxes.)	1. At the beginning of the fiscal period with the accrued taxes at the close of the previous fiscal period. (Debit Accrued rent and taxes.) 2. With the debit balance at the end of the fiscal period. (Debit Loss and gain.)

It should be noted that income taxes must not be charged to this account, but to Surplus.

LOSS FROM BAD ACCOUNTS (O5).

Debit:	Credit:
1. With the amounts reserved out of the profits to cover the probable loss from bad debts. (Credit Reserve for bad debts.)	1. With the debit balance at the close of the fiscal period. (Debit Loss and gain.)

MISCELLANEOUS EXPENSE (O6).

Debit:	Credit:
1. With the cost of any items of expense not chargeable to any other account.	1. With the debit balance at the close of the fiscal year. (Debit Loss and gain.)

To this account should be charged such expenses as donations to charitable organizations or any other expense that can not properly be charged to any of the other accounts.

P. TRADING ACCOUNTS.

SEED-COTTON PURCHASES (P1).

Debit:	Credit:
1. With the value of purchased seed cotton on hand at the beginning of the fiscal period. (Credit Inventory, account No. A5.) 2. With the cost of any seed cotton purchased.	1. With the value of the inventory of purchased seed cotton on hand at the end of the fiscal period. (Debit Inventory, account No. A5). 2. With the debit balance at the close of the fiscal period. (Debit Loss and gain.)

To the cost of purchasing seed cotton must be added the cost of ginning and baling it, in order to learn its total cost.

GINNING PURCHASED SEED COTTON (P1A).

Debit:	Credit:
1. With the cost of ginning purchased seed cotton. (Credit Loss and gain, account No. 13.) 2. With the cost of bagging and ties used in baling purchased seed cotton. (Credit Bagging and ties sales.)	1. With the debit balance at the end of the fiscal period. (Debit Loss and gain.)

Great care should be used that all charges incurred in ginning purchased seed cotton have been made in this account before it is closed into Loss and gain account. The cost of ginning seed cotton purchased must be charged to this account in order that the Income and expense statement may show the true results of the operations, including the handling of cotton.

This is sometimes done by crediting an income account with the amount which would have been received had all cotton been ginned for customers. This practice is entirely incorrect and has little if any justification. It is, therefore, to be avoided in every case, and a more nearly correct method, as described below, should be used.

To ascertain the cost of ginning seed-cotton purchases, the total of the items appearing on the Income and expense statement (see page 6) should be ascertained by filling in these items from the ledger accounts (accounts N1 to O6, inclusive). This amount is then divided by the total number of bales handled (including the number ginned from seed-cotton purchases), thus arriving at the unit cost per bale. The unit cost thus obtained is now multiplied by the total number of bales of seed-cotton purchases ginned, which will give the cost of ginning purchased seed cotton. Illustration:

Total number bales ginned	1,000
Total number bales ginned (seed cotton purchased)	150
Total ginning expense	$2,950.00
Total ginning cost per bale ($2,950÷1,000)	$2.95
Cost ginning seed cotton purchased ($2.95×150)	$442.50

Using the figure thus obtained, an entry is made as shown on page 38.

The amount of this entry is then entered on the Income and expense statement and on the Cost and income analysis in the space provided.

COTTONSEED PURCHASES (P2).

Debit:	Credit:
1. With the value of cottonseed on hand at the beginning of the fiscal period. (Credit Inventory, account No. A5.) 2. With the cost of all cottonseed purchased.	1. With the value of the cottonseed on hand at the end of the fiscal period. (Debit Inventory, account No. A5.) 2. With the debit balance at the end of the fiscal period. (Debit Loss and gain.)

COTTON PURCHASES (P3).

Debit:	Credit:
1. With the value of cotton on hand at the beginning of the fiscal period. (Credit Inventory, account No. A5.) 2. With the cost of any cotton purchased.	1. With the value of the cotton on hand at the end of the fiscal period. (Debit Inventory, account No. A5.) 2. With the debit balance at the end of the fiscal period. (Debit Loss and gain.)

BAGGING AND TIES PURCHASES (P4).

Debit:	Credit:
1. With the value of bagging and ties on hand at the beginning of the fiscal period. (Credit Inventory, account No. A5.) 2. With all purchases of bagging and ties, including freight and drayage on same.	1. With the value of the bagging and ties on hand at the end of the fiscal period. (Debit Inventory, account No. A5.) 2. With the debit balance at the end of the fiscal period. (Debit Loss and gain.)

THE TRIAL BALANCE.

From the discussion of the journal and the ledger in the preceding entries and also on pages 16 and 18, it will be noted that all entries made in the ledger originated in the journal. Two points, therefore,

must be kept constantly in mind, namely: (1) No entries are to be made direct to the ledger, but must be posted from original entries in the journal; (2) the equality of the debits and credits of each page of the various journal forms must be proved before any figures are either carried forward or posted to the ledger. It follows, then, that if the journal pages are proved to be in balance and the entries are correctly posted the ledger also must balance. In order to prove whether or not the equality of the debits and credits has thus been maintained, a trial balance must be taken of the ledger at the end of each month. A trial balance consists of a schedule of the open accounts in the general ledger showing in one column the debit balances and in another column the credit balances of the accounts. The footings of the two columns must be equal. A stock form of trial balance book should be obtained for the permanent preservation of the monthly trial balances.

After the trial balance has been completed it is necessary to "close the books" and to prepare a balance sheet and an income and expense statement in order to ascertain the results of the period's operations and the financial position of the company.

CLOSING THE BOOKS.

By the expression "closing the books" is meant the process of balancing all income and expense accounts by transferring their balances to the loss and gain account. After this has been done, the only open accounts to be found in the ledger are the balance-sheet accounts which represent the assets and liabilities of the company.

Preparatory to closing the books, it will be necessary to make the following schedules:[1]

Seed cotton on hand—unginned	List showing quantity, kind, grade, and price.
Cotton seed on hand	List showing quantity, kind, condition, and price.
Cotton on hand—ginned	List showing quantity, class, grade, and price.
Bagging on hand	List showing quantity and cost.
Ties on hand	List showing quantity and price.
Accrued interest on notes receivable [2]	List by name of drawer, date, time to run, interest rate, and amount of note. (See discussion, p. 21).
Insurance premiums unexpired at the end of the period.	List by policy number, date, property covered, time, and amount of premium unexpired.
Unused stationery and printing	List by quantity, kind, and value. (See account No. 01).
Accrued salaries and wages	List by name, time, and wage rate.
Accrued rent and taxes	List by name, time, and rate.
Accrued interest on notes payable [2]	List by name of payee, date, time to run, interest rate, amount of note.

[1] These schedules are called "inventories."

[2] In some cases there may be some notes receivable on hand, or notes payable outstanding. It is then necessary to compute the accrued interest on each class, and open two new accounts, captioned, respectively, "Accrued interest on notes receivable" and "Interest accrued on notes payable." The following journal entries would then be made:

000 Interest accrued on notes receivable.
Sundry income 000
To set up as income and asset the earning of interest not yet received in cash.

000 Miscellaneous expense.
Accrued interest on notes payable 000
To place on the books the expense for interest, not yet paid.

Great care must be exercised in inventorying these items as the value of the income and expense statement and the balance sheet depends upon the accuracy of the inventories. This work should always be conducted, or at least directly supervised, by a competent committee of the board of directors if the business is incorporated.

When the above schedules have been completed, extensions made and verified, the following journal entries should be made. The figures in the schedules will be those used for the entries.

(1)

Debit.		*Credit.*
000	Inventory.	
	Seed-cotton purchases	000
	Cottonseed purchases	000
	Cotton purchases	000
	Bagging and ties purchases	000

To place the inventories on the books as an asset.

(2)

Debit.		*Credit.*
000	Insurance.	
	Prepaid insurance	000

To enter in the expense account the amount of insurance premiums expired during the year, and reduce the asset of prepaid insurance to the amount of premiums yet to be exhausted.

(3)

000	Rent.	
000	Taxes.	
	Accrued rent and taxes	000

To set up as expense the portion of these items which apply to the period, and are still unpaid.

(4)

000	Depreciation.	
	Reserve for depreciation, Buildings	000
	Machinery and equipment	000
	Office furniture and equipment	000

To set up the expense for depreciation, and created reserve.

(5)

000	Loss from bad accounts.	
	Reserve for doubtful accounts	000

To set up as expense the estimated loss from bad accounts for the current period, and to create a reserve.

(6)

000	Custom ginning income.	
000	Cottonseed sales.	
000	Cotton sales.	
000	Bagging and ties sales.	
000	Cash discount on purchases.	
	Loss and gain	000

To close the income accounts and transfer gross gains to Loss and gain account.

(7)

000	Loss and gain.	
	Salaries and labor expense	000
	Power expense	000
	Repairs	000
	Depreciation	000
	Operating supplies expense	000
	Insurance	000
	Office supplies	000
	Telegraph, telephone, and postage	000
	Rent paid	000
	Taxes	000
	Loss from bad accounts	000
	Miscellaneous expense	000
	Seed-cotton purchases	000
	Cottonseed purchases	000
	Cotton purchases	000
	Bagging and ties purchases	000

To close the expense accounts and transfer the expenses to the Loss and gain account.

(8)

000	Ginning purchased seed cotton.	
	Loss and gain	000

To charge the former account with the cost of ginning.

PREPARING THE REPORTS.

The above journal entries when posted to the ledger will balance all Income and expense accounts and leave only the Asset and liability accounts open. At this point all the balanced accounts should be ruled with a double red line beneath the footings.

A credit balance on the Loss and gain account represents the net profit for the year, a debit balance represents a loss.

A trial balance ("after closing") should now be taken to prove that the equality of the debits and credits of the ledger accounts has been maintained, after which the preparation of the balance sheet and Income and expense statement may proceed.

In compiling the balance sheet it is necessary only to refer to the ledger accounts and draw off the balances shown in the Asset and liability accounts, entering them as indicated on the form of balance sheet provided herein. The preparation of the Income and expense statement is described on page 5.

It will be noted that while the reserves for depreciation and bad accounts are shown on the ledger as a liability they appear on the balance sheet as a deduction from the assets.

REOPENING THE BOOKS.

After having prepared the balance sheet and Income and expense statement, it is necessary to make certain journal entries in order that the accounts for the succeeding fiscal period may show the true results of the operations. These are as follows:

(1)

Debit.		*Credit.*
000	Seed-cotton purchases.	
000	Cottonseed purchases.	
000	Cotton purchases.	
000	Bagging and ties purchases.	
	Inventory	000

To transfer the inventories on hand to the purchase accounts and close the inventory account.

(2)

000	Accrued rent and taxes.	
	Rent	000
	Taxes	000

To close the accrued account and adjust the debits to the expense accounts.

It will now be possible to proceed with the entries for the new period, and the books will then reflect the correct results of the new period operations.

Bureau of Markets and Crop Estimates—Ginnery System—Form 2. (Duplicate.)

PLACE, *Austin, Tex., Aug. 15, 1920* TICKET NO. *39771*

BLANK GINNING COMPANY. By *J. M. W.*

GINNED FOR *A. B. Castley* DRIVER, *Joe Smith*

OWNER OF FARM.....

CALCULATIONS.

1,070 *5.30*
75 *70*
5350
7490
8.0250
3.7100

	BALE NO.	BALE MARK	DATE BALE DELIVERED
Gross..... *3150* lbs.	*39771*	*A B C*	*Sept. 1, 20.*
Tare..... *1550* lbs.			
Net..... *1600* lbs.			
Wt. of bale..... *530* lbs.			
Wt. of seed..... *1070* lbs.			

DISPOSITION OF SEED.					GINNING CHARGES.				BALANCE DUE.	
Taken.	Bought.	Price.	Amount.	Check No.	B. & T.	Ginning.	Total.	Cash.	Ginner.	Owner.
	1070	*75c*	*8.02*	*1025*	*2.00*	*3.71*	*5.71*	*5.71*		*2.31*

Bureau of Markets and Crop Estimates—Ginnery System—Form 2. (Duplicate.)

PLACE, *Austin, Texas, 8/25/1920* TICKET NO. *39892*

BLANK GINNING COMPANY. By *J. M. W.*

GINNED FOR *A. B. Castley.* DRIVER, *Joe Smith*

OWNER OF FARM.....

CALCULATIONS.

530
7.0
3.7100

	BALE NO.	BALE MARK	DATE BALE DELIVERED
Gross..... *3150* lbs.	*39892*	*A B C*	*Sept. 1*
Tare..... *1550* lbs.			
Net..... *1600* lbs.			
Wt. of bale..... *530* lbs.			
Wt. of seed..... *1070* lbs.			

DISPOSITION OF SEED.					GINNING CHARGES.				BALANCE DUE.	
Taken.	Bought.	Price.	Amount.	Check No.	B. & T.	Ginning.	Total.	Cash.	Ginner.	Owner.
1070					*2.00*	*3.71*	*5.71*		*5.71*	
Totals forwarded,			*8.02*		*4.00*	*7.42*	*11.42*	*5.71*		

These sample entries show how the ginning tickets should be made up, one for each bale ginned. It should be noted that No. 39771, made out on Form 2*a* (below), contains the same information as the same numbered ticket made out on Form 2. In the case of Form 2*a*, however, the information is transferred into the ginning register, Form 2*b*, and from there posted to the ginning ledger form 3, whereas the information on Form 2 is posted direct to the ledger from the duplicate.

GINNING TICKET NO. *39771*.

BLANK GINNING COMPANY

(Town.) *Austin.* (State.) *Texas.*

Bale No. *39771*. Mark *A. B. C.* Delivered to *Smith.*

Ginned for *A. B. Castley.*

Driver, *Joe Smith.*

Farm of *A. B. Castley.*

SEED COTTON.		(Calculations.)	
Gross	*3,150* lbs.	*1070*	*5.30*
		.75	*.70*
Tare	*1,550* lbs.	*5350*	*3.7100*
Net	*1,600* lbs.	*7490*	
		8.0200	
Weight bale	*530* lbs.	Taken by *Smith.*	
Seed	*1,070* lbs.	Bought $.75 cwt.	$8.02
Ginning at $.70 per cwt			$3.71
Bagging and ties			*2.00*
Total charges			*5.71*
Balance paid to *A. B. Castley.* Ck. No. *1025*			*2.31*

(Calculations.)	SEED COTTON BOUGHT.	
1.00	*100* lbs. @ $.03 per lb	$3.00
.03	Plus balance above	*2.31*
3.00		
Paid by Ck. No. *1025* to *A. B. Castley*		*5.31*

Not responsible for cotton left on yard.

BLANK GINNING COMPANY,
By *J. M. W.*

Bureau of Markets and Crop Estimates—Ginnery System—Form 2A.

This is to be put up in duplicate or triplicate, depending on whether the State law requires a copy to be furnished to the landlord.

BLANK GINNING COMPANY.

No. 1725.

ACCOUNT.

Ginning	8	71
Bagging and Ties	4	00
Accts. Rec.	....	....
Notes Rec.	....	....
Cotton Sold	1	75
Cotton Seed	14	25
Total	28	75

Place, *Austin, Tex.* Date, *Aug. 20, 1920*

Received from *Ira Jones*

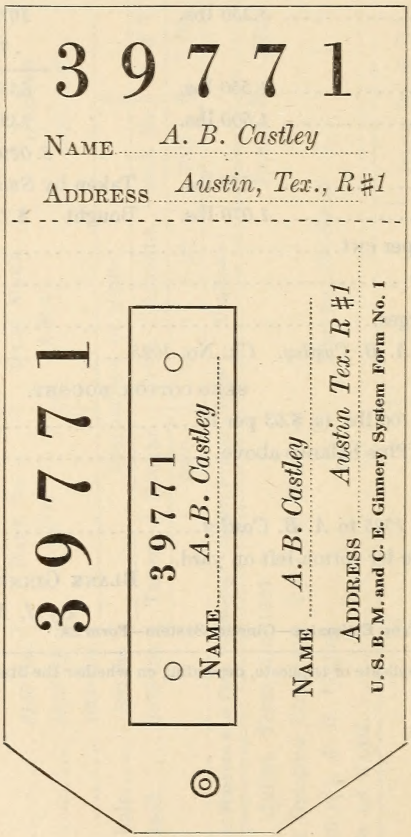
Twenty-eight Dollars *75* Cents

For *Account in full.*

By J. M. WHITE,

Manager.

Bureauo Markets and Crop Estimate—sGinnery System—Form 4.


39771
NAME A. B. Castley
ADDRESS Austin, Tex., R #1
39771
39771
NAME A. B. Castley
NAME A. B. Castley
ADDRESS Austin Tex. R #1
U. S. B. M. and C. E. Ginnery System Form No. 1

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